



Posted on Sat, Feb. 05, 2005

House approves tobacco payout

\$114 MILLION WOULD GO TO REPLACE FINAL PHASE II PAYMENTS

ASSOCIATED PRESS

FRANKFORT - Kentucky's House voted yesterday to pay \$114 million to state tobacco growers to replace a final payment that had been expected from cigarette makers under a national litigation settlement.

The bill passed unanimously and goes to the Senate. Gov. Ernie Fletcher told reporters he likely would sign the measure if it reaches his desk.

Since it contains an emergency clause, it would then take effect immediately, which supporters said could put checks in the hands of farmers by spring.

"This is your opportunity to help the farmers back home," said Rep. Tom McKee, D-Cynthiana. Rep. Lonnie Napier, R-Lancaster, said farmers need the money to help pay off debts as they seek loans for the next planting.

"We cannot stand by silently and allow the boys in Big Tobacco to drown out the voices of our farmers," he said.

The bill would divert money intended for agricultural diversification to help make so-called "Phase II" payments to about 163,000 leaf growers and quotaholders in Kentucky.

Kentucky farmers had expected about \$124 million in 2004 Phase II payments by year-end. But a North Carolina judge ruled late last year that tobacco companies did not owe that last round to growers in 14 states. He said the obligation was overtaken by the \$10.1 billion tobacco buyout for farmers approved by Congress.

Phase II payments were meant to compensate growers for expected lower sales caused by higher cigarette prices, in turn caused by the cost of the industry's 1999 settlement of states' claims for costs of treating sick smokers.

That settlement also provides "Phase I" money to Kentucky's Agriculture Development Fund, which helps farmers diversify their operations.

The House bill would earmark \$27 million from that fund to help make up a final \$114 million Phase II payment, which is the state's maximum obligation. The balance would come from bonds to be repaid from future "Phase I" payments.

© 2005 Lexington Herald-Leader and wire service sources. All Rights Reserved.
<http://www.kentucky.com>